



Acrow Formwork & Construction Services Limited

Results Presentation
2019 Half Year Financial Results

27 February 2019



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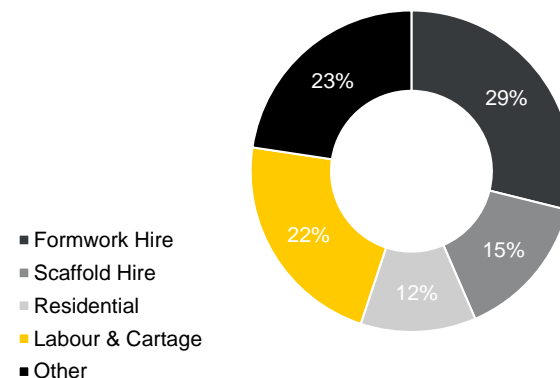
Executive Summary

Acrow continues to deliver on the stated strategy and is pleased to report 33% growth in 1H19 Underlying EBITDA

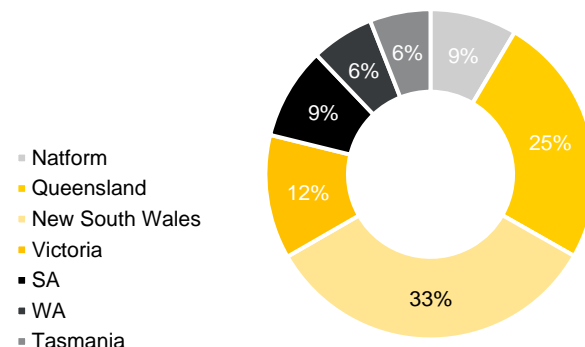
Executive Summary

- Continued strong execution of the business strategy by Management team as Acrow continues its transition to value driven not price driven solutions servicing the high growth infrastructure sector
- The underlying Acrow business performed strongly for the 6 months to 31 December 2018, with the inclusion of 4 months of the recently acquired Natform business:
 - Revenue of \$36.0m (an increase of 7% on 1H18)
 - Formwork Hire Revenue of \$10.4m (an increase of 48% on 1H18)
 - Sales Contribution of \$21.6m and Sales Contribution Margin of 60.1%. Result driven by favorable revenue mix to higher margin Formwork Hire and contribution of Natform
 - Underlying EBITDA of \$6.7m (+33% on 1H18) and Underlying EBITDA margin of 18.7% (up from 15.0% in 1H18)
 - Strong Operating Cash Profit of \$5.5m (cash conversion of c. 83%)
 - Net debt of \$2.5M from \$15M Westpac facility
- Declaration of interim dividend of 1.0 cents per share, with dividend reinvestment plan (DRP) maintained
- Natform acquisition completed effective September 1, 2018. To date we are very pleased with the progress of the business and integration into the Acrow Group.
- Key appointments in Senior Management team provides the platform for continued growth in engineered solutions nationally.
- Outlook for FY19 remains strong with ongoing growth in order book and new business wins in the east coast infrastructure market

Total Revenue by Category (HY19)



Total Revenue by Geography (HY19)

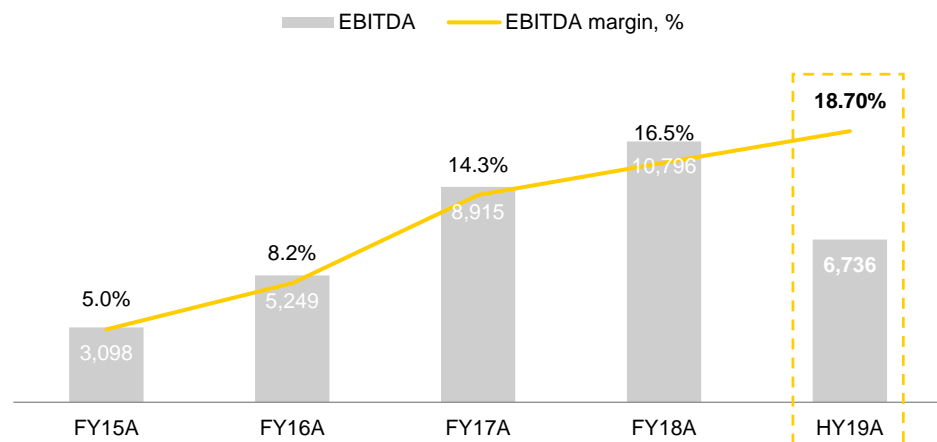


Financial Results

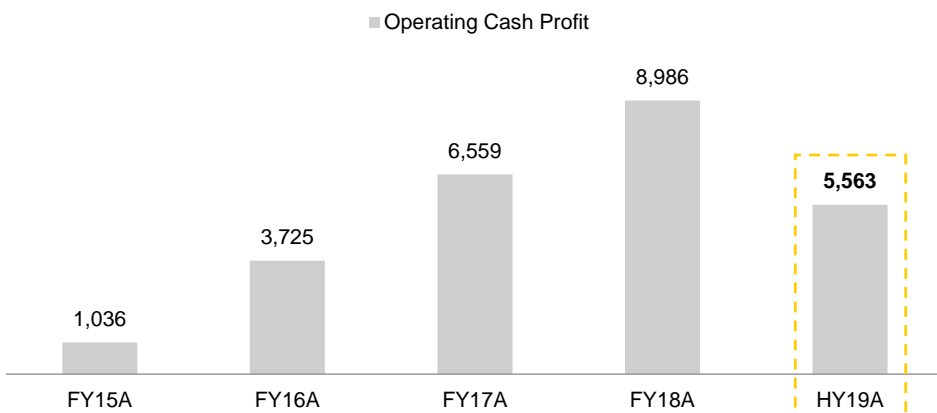
Financial Performance

Acrow has continued to increase EBITDA and cash conversion, providing the platform for further organic and inorganic growth

Historical Underlying EBITDA⁽¹⁾ (\$'000)



Operating Cash Profit⁽²⁾ (\$'000)



Commentary

- Underlying EBITDA continues to increase steadily period-on period, demonstrating the successful execution of Acrow's strategy
 - HY19A EBITDA was another record under current management team
 - Growing margins continue as Acrow increasingly focus on value driven not price driven solutions, evidenced by recent Natform acquisition and increased focus on technical formwork hire solutions
 - For HY19A, Acrow's EBITDA was \$6.7m and margin was 18.7%
- Acrow is cash generative and increased operating cash profit⁽²⁾ to \$5.5m in 1H19, cash conversion of c. 83%
- Strong cash generation and positive outlook provide the platform for dividend growth and further organic and inorganic growth opportunities

Note:

(1) FY15-18A excludes costs of being a public company to allow comparability

(2) Operating cash profit is underlying EBITDA less maintenance capex (see page 8)

Financial Overview

Summarised Financial Performance (\$'000)

HY/E 31 Dec, A\$'000	1HY18	2HY18	HY19
Summary P&L			
Formwork Hire	6,992	8,591	10,382
Scaffold Hire	7,922	6,375	5,262
Residential	4,001	3,680	4,172
Labour & Cartage	7,434	6,209	8,005
Other	7,259	6,878	8,137
Total Revenue	33,608	31,733	35,958
Formwork Hire	6,992	8,591	10,382
Scaffold Hire	7,922	6,375	5,262
Residential	1,690	1,694	1,815
Labour & Cartage	1,064	1,064	1,435
Other	1,925	2,014	2,732
Total Contribution	19,593	19,738	21,626
<i>Contribution Margin</i>	58.3%	62.2%	60.1%
Yard Related Expenses	6,032	6,128	6,393
Labour	6,145	6,370	6,793
Other	2,373	1,747	1,728
Total Overheads	14,550	14,245	14,914
Significant Items	-	536	389
Reported EBITDA	5,042	4,958	6,320
Underlying EBITDA	5,042	5,494	6,736
<i>Margin</i>	15.0%	17.3%	18.7%

Commentary

- Includes 4 month contribution of Natform in HY19
- Another record Revenue result of \$36M
- Formwork Hire Revenue of \$10.4m (an increase of 48% on 1H18)
- Sales Contribution of \$21.6m and Sales Contribution Margin of 60.1%. Result driven by favorable revenue mix to higher margin Formwork Hire and contribution of Natform.
- Ongoing disciplined cost control especially after cost base of Natform is included in Total Overheads
- Underlying EBITDA of \$6.7m (+33%) and Underlying EBITDA margin of 18.7% (up from 15.0% in 1H18)
- Significant items predominantly relate to non recurring acquisition costs relating to Natform acquisition

Note:

Totals may differ due to rounding

(1) Unaudited and based on management accounts. Restructuring costs consist of redundancy, branch relocation, duplicate rents, other non-recurring costs associated with the business restructure; (2) FY18A excludes costs of being a public company, including listing and director fees, to allow for comparability

Balance Sheet

Acrow had ~\$46.7m of net assets at December 2018, which includes ~\$44.9m of PP&E and \$2.5m of net debt

Consolidated Balance Sheet (\$'000)

\$'000	Jun-18	Dec-18
Summary Balance Sheet		
Cash	4,918	4,479
Receivables	10,549	11,843
Inventory	2,111	2,960
Other Financial Assets	492	0
Other Current Assets	193	1,043
Total Current Assets	18,263	20,325
Other Financial Assets	312	0
Goodwill on acquisition		7,216
Deferred Tax assets		214
Property, Plant & Equipment	31,711	44,928
Total Assets	50,285	72,683
Creditors & Accruals	7,813	8,598
Provisions	3,427	3,276
Loans and borrowings		7,073
Current tax liabilities		714
Deferred tax liabilities		2,034
Other Payables		4,256
Total Liabilities	11,240	25,951
Net Assets	39,046	46,732

Commentary

- Strong balance sheet position at 31 December 2018
- Net debt position of \$2.5m, significant financing headroom with \$15M facility in place with Westpac
- Replacement value of Hire Equipment continues to be greater than \$100m
- Depreciation for the 6 months to December 31, 2018 was \$1.4m reflecting the newly adopted depreciation policy for the Group
- Available carry forward tax losses of approximately \$40m are not reflected in the balance sheet. However, tax losses are able to be utilised against profits in the core Acrow business. In addition, any franking credits arising out of the Natform subsidiary, are expected to be passed onto shareholders in future dividends.

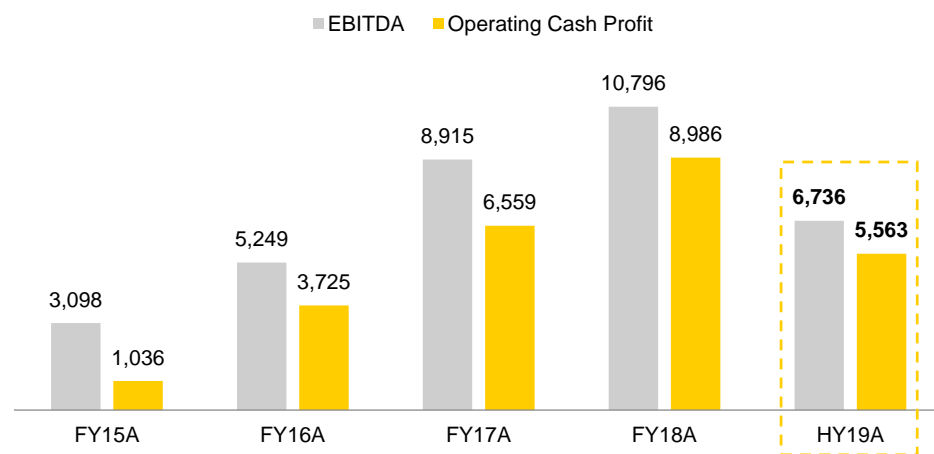
Cash Flow

Acrow has increased Operating Cash Profit from \$1.0m in FY15 to \$5.5m for 1H19

Cash Flow Statement (\$'000)

\$m	FY15A	FY16A	FY17A	FY18A	HY19A
Summary Cash Flow Statement					
Underlying EBITDA	3,098	5,249	8,915	10,796	6,736
Maintenance capex	(2,062)	(1,524)	(2,356)	(1,810)	(1,173)
Cash tax	-	-	-	-	-
Operating Cash Profit	1,036	3,725	6,559	8,986	5,563

Underlying EBITDA and Operating Cash Profit (\$'000)



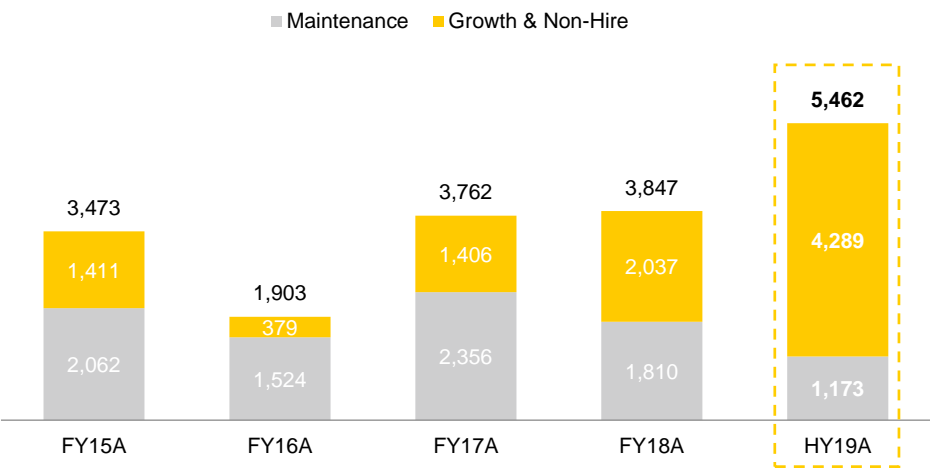
Commentary

- The proxy for operating cash profit in the Acrow business is Underlying EBITDA less maintenance capex
- **Operating cash profit** has increased to \$5.5m in 1H19, and includes public company costs
- **Cash flow conversion** remains strong at .c.83% in 1H19 after the acquisition of Natform
- **Working capital** (largely comprising trade debtors and trade creditors), is predictable and consistent, with minimal seasonal fluctuations

Capital Expenditure

Acrow has averaged maintenance capex of ~\$2m between FY15 to FY18

Growth and Maintenance Capex (\$'000)



Commentary

- The charts at left present the historical gross and net capex spend, split between growth and maintenance, for the historical periods FY15 to 1H19
- **Maintenance capex** has averaged ~\$2m p.a. over the historical period. This capex represents spend on maintaining the existing hire equipment
- **1H19 capex** includes:
 - 4 month contribution of Natform
 - \$4.3M of new formwork equipment to accommodate strong market activity and developing sales pipeline/ high utilisation of existing equipment to service the high growth infrastructure sector
- **Update on deployment of recent growth capex:**
 - This equipment is being allocated to targeted new projects and the Board reiterate their confidence of achieving annualised returns of greater than 40% on this investment

Our Vision

To be the leading provider of Engineered Formwork Hire Equipment solutions to the Australian Construction Market

- The acquisition of Natform and the success of its integration into Acrow has crystalized the vision of our business.
- Future investment in our business will focus on organic growth and M&A opportunities

1

**Full-service
provider**

- Opportunity to develop into a full service provider of formwork hire solutions to the Civil, Commercial and Residential Construction sectors across all states and territories

2

**Value-driven
not
price-driven**

- Acrow's solutions are into the highly technical, critical path, non-commoditised parts of the construction industry, where engineering capability, flexibility and innovation of design and reliability of equipment are valued more than the lowest price

Our People

It is the Customer Solutions Focus, Flexibility, Urgency, and Can-Do attitude of our people that will drive the Acrow difference

- Acrow is investing heavily in its people -
 - Developing in-house Engineering expertise with a commercial customer solutions focus.
 - Education and training – last 6 months National Engineering Manager, Matthew Caporella, and QLD Engineering Manager, Jeremy Trickett, have become Chartered Professional Engineers with the Institute of Engineers Australia and registered Professional Engineers Queensland.
 - Maintaining a strong, experienced and successful Senior Management team
 - Recruitment – Acrow continues to recruit highly experienced and qualified like minded professionals to continue growth

Margaret Prokop General Manager Natform, and Director Acrow Formwork and Constructions Services.	– Margaret has over 30 years' experience in the formwork industry in Australia and was the previous owner of Natform that she founded in 1989
Jan Pienaar QLD General Manager Acrow.	– Jan has 10 years of experience in the Australian Formwork market having held senior management positions with two of Acrow's main competitors over this period
Nicolas Dunn National General Manager Business Development.	– Nicolas has 21 years of experience in the Australian and South East Asian Formwork markets having held both Managing Director and National Sales Manager roles with one of Acrow's main competitors over this period

Natform

A successful integration

- Natform was acquired by Acrow effective September 1, 2018.
- To date we are very pleased with the progress of the business with results at all levels meeting expectations.
- The Natform team continue to focus on providing industry leading solutions for edge protection utilising Screen Systems.
- The team is also focused on developing a new, innovative range of products that will completely compliment their current equipment offering.
- Some of the highlights so far include:

1

First contract win

- Natform success in winning its first contract in Victoria for a number of years via an Acrow introduction

2

Stronger customer relationships

- Acrow developing a strong new customer relationship with one of the major players in the NSW Formwork market via a Natform introduction

3

Integrated product offering

- Approximately 50% of the jobs in the current Natform pipeline have a client connection to Acrow and will include an integrated product offering



Outlook Statement

Defensible Trading Business with Room to Grow

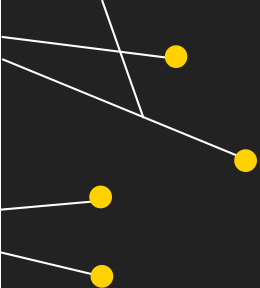
- Following record result from 2018 financial year, 1H19 trading remained in line with expectations.
- Pipeline of new contracts won remains strong.
- National Business with high quality and defensible earnings base, with geographic and customer spread (no over-exposure to any one state, customer or project)
- Real organic formwork growth opportunities:
 - continued east coast infrastructure market activity with expansion from QLD base into opportunities in NSW & Victoria markets
 - growing signs of increased activity in the resource sector in Western Australia and civil formwork demand in South Australia
- Has now committed \$5.5m Growth Capital since the ASX listing into core formwork equipment to support new Civil and Commercial opportunities
- Natform acquisition trades well and in line with management expectation
 - Integration emphasis now focussed on revenue synergy across respective customer bases

Balance Sheet Strength

- Positive cash flow from trading
- Solid balance sheet with net debt at \$2.5M. \$15m finance facilities secured with Westpac (significant headroom remains)
- Financial capacity to pursue further complementary acquisition opportunities
- Declared interim Dividend of 1.0 cents per share following maiden dividend as listed company in August 2018

Financial and Tax

- Annualised depreciation of combined group (Acrow and Natform) is expected to be in the range of \$2.5m - \$3.0m
- Continued utilisation of tax losses expected to be utilised across the core Acrow business plus potential to utilise franking credits arising out of Natform acquisition.



Thank you

